

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 PA-01 PRS-01 /085 W
-----091730Z 111081 /40
R 091358Z FEB 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1522

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E.O. 11652: N/A
TAGS: ECON, EFIN, EG
SUBJECT: BANK WITHDRAWALS IN WAKE OF PROPOSED NEW TAX LEGISLATION

REF: CAIRO 2332

1. ONE OF UNINTENDED RESULTS OF PROPOSED GOE LEGISLATION TO REQUIRE DECLARATION OF ASSETS BY THOSE WHOSE INCOMES EXCEED L.E. 1200, HAS APPARENTLY BEEN A RASH OF WITHDRAWALS FROM BANKS, SINCE CASH IS OBVIOUSLY LESS EASILY TRACEABLE THAN AN ACCOUNT.

2. OFFICIAL OF ONE U.S.-OWNED OFFSHORE BANK TOLD EMBOFF THAT CURRENT ESTIMATE IN BANKING CIRCLES IS THAT LIQUIDITY OF EGYPTIAN BANKING SYSTEM HAS DECLINED BY 5 TO 7 PERCENT IN LAST FEW DAYS. HE SPECULATED THAT SMALL BUSINESSMEN WOULD BE HARD HIT BY THE RESULTING CREDIT CRUNCH, AND SOME MIGHT GO OUT OF BUSINESS.

3. WITHDRAWAL PHENOMENON, THOUGH IT MAY BE SHORT-LIVED, IS CLEARLY RUNNING COUNTER TO ANOTHER OBJECTIVE OF PROPOSED NEW TAX LEGISLATION--TO ENCOURAGE THRIFT AND INCREASE FUNDS AVAILABLE FOR INVESTMENT,

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STIMULATING THE FLOW OF MONEY INTO THE BANKING SYSTEM THROUGH RAISING INTEREST RATES ON DEPOSITS.

4. RELATED DEVELOPMENT IS SHARP INCREASE IN PRICE OF GOLD IN EGYPT, WHICH IS REPORTED TO HAVE GONE UP SOME LE 250 PER KILO IN WAKE OF ANNOUNCEMENTS CONCERNING DECLARATIONS OF WEALTH THAT WILL BE REQUIRED.

MERCHANTS IN BAZAARS HAVE SUSPENDED SALES OF JEWELERY, SINCE
THEY ARE UNSURE AT WHAT PRICE THEY WILL HAVE TO BUY REPLACEMENT
GOLD. THIS IS PROBABLY WHERE AT LEAST SOME OF THE MONEY COMING
OUT OF BANKS IS GOING.
EILTS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAX REFORMS, BANK ACCOUNTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO02392
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770046-0710
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770260/aaaacarw.tel
Line Count: 67
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 219facc9-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
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Review Content Flags:
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Review Release Date: n/a
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Review Transfer Date:
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